California voters, on November 7th, will decide whether to create a voucher program in which all families with school-age children could participate. If Proposition 38 is approved, parents could obtain a chit from the state worth $4,000 and move their child from their public school to a private school. This would significantly alter how all schools are financed throughout the state.

This policy brief speaks to six major questions:

- What are the key elements of Prop. 38?
- Does Prop. 38 differ much from the earlier voucher initiative considered by California voters in 1993?
- Which families would likely benefit from the voucher program envisioned in Prop. 38?
- How would Prop. 38 affect school spending—and taxpayers?
- Have voucher experiments raised achievement after children enter private and parochial schools?
- How sold are parents and voters on vouchers?

What are the key elements of Prop. 38?

This ballot initiative—officially dubbed the National Average School Funding Guarantee and Parental Right to Choose a Quality Education Amendment—marks the second attempt by voucher advocates to institute a statewide program via the initiative process. Voters turned down an earlier voucher plan in 1993, Prop. 174, defeated by a two to one margin. California voters now have a second chance to consider a similar proposal.

The concept underlying Prop. 38 is simple. The state government would award vouchers to parents who prefer to move their child from any public school to a private or religious school. Such voucher programs are being tried on a smaller scale in several major cities around the nation. Early evidence on the effectiveness of these programs—centering on whether low-income children do better in parochial schools—is reviewed below. Whether these initial findings can be generalized to a large statewide program remains an open issue. And while the voucher concept is simple, the
policy changes and local mechanisms required for implementing a statewide program, moving far beyond city-level experiments, are quite complex.

Let’s start with the basic policy provisions of Prop. 38. Without a doubt, it would make profound changes to the state’s constitution, alter how the education of many children is financed, and cost state taxpayers between $2.6 and $3.3 billion dollars to implement.¹

In skeletal form, the key elements of Prop. 38 put forward two significant changes in how education would be financed statewide:

- If approved, parents of school-aged children would be offered a portable “scholarship” or voucher worth $4,000 in the first year. The voucher could be redeemed at any private school which chooses to accept new students.

- A new “national average school funding guarantee,” based on average per-pupil spending nationwide, would likely replace the minimal floor for public school funding that the voters approved twelve years ago.

Our analysis details how these core provisions would likely be implemented under Prop. 38, and the implications for parents, all taxpayers, and the schools. We also examine the effects that Prop. 38 could have on the state budget. This forecasting exercise is a slippery one, given that no one knows how many parents would actually apply for vouchers and move their kids from a public to a private school. The degree to which Prop. 38 would result in significant new costs or savings depends on how several other factors would play out over time.

**Does Prop. 38 differ much from the earlier voucher initiative considered by California voters in 1993?**

In short, most elements of the new Prop. 38 are similar to the earlier voucher initiative.

First, Prop. 38 would provide a flat $4,000 voucher, similar to the flat $2,600 voucher proposed in the old Prop. 174, for any parent who wants to enroll their child at any private school that agrees to participate. Neither proposal would adjust the voucher’s dollar amount based on a family’s financial need, a key component of the several citywide voucher experiments currently operating. That is, wealthy parents who already send their child to a private school would receive the same voucher amount as a low-income parent who cannot afford to send their child to, for instance, a low-cost Catholic school. Neither ballot proposition limits what private schools can charge for tuition.

Second, both initiatives would provide vouchers to parents who already have chosen a private school in which their child is enrolled. Prop. 38 phases-in eligibility for vouchers, so that within four years all parents with children already in private schools would receive vouchers. This outlay by the fourth year—simply for children currently enrolled in private schools—would equal at least $2.6 billion in new spending.

Note that this additional spending would not empower new parents to choose a private, rather than a public school. They already have made this choice. On the other hand, if additional parents applied for vouchers, Prop. 38 would widen school options for more families. This would bring additional costs or savings for the state, depending on how many parents applied for vouchers as detailed below.

Third, both Propositions 38 and 174 would require that participating private schools remain largely unregulated. The author of Prop. 38 argues that private schools need maximum flexibility to respond to diverse student needs. Both propositions also permit schools to dismiss students for “serious or habitual misconduct.” Nothing in Prop. 38 would limit the discretion of private schools to admit, or not admit, students with learning disabilities, behavioral problems, or simply a history of low achievement.

Prop. 38 does differ from Prop. 174 in one important respect: The new version requires each participating private school to administer the same kind of standardized tests that public schools now give to their students.

Finally, it’s important to note that Prop. 38 could boost financing for public elementary and secondary schools. Prop. 174 would have left school funding mechanisms largely unchanged in 1993, whereas Prop. 38 would likely require a new minimum funding level at no less than the average per-pupil spending level nationwide. According to the proponents of Prop. 38 this “national average funding
guarantee” would ensure that the public schools have an opportunity to be competitive with private schools.

This intended boost in school spending may make Prop. 38 more attractive in the minds of some voters. But this provision does depart from voter sentiment on another earlier initiative: Prop. 98, approved by the voters in 1988, guarantees that a minimum percent of the state’s budget be allocated for education, depending on enrollment growth and the state’s economic health. In addition, Prop. 38 has been controversial in wrapping two big policy ideas into the same ballot initiative, seeking to create a statewide voucher program and simultaneously raise school spending.

In moving away from the Prop. 98 financing guarantee, state support would no longer be protected for child-care and preschool programs, as well as special education schools. These parts of the state budget now count in meeting the Prop. 98 funding guarantee. They no longer will if Prop. 38 is approved and therefore would become more susceptible to budgetary cuts during economic downturns.

Which families would likely benefit from the voucher program envisioned in Prop. 38?

Many parents already exercise school choice in California and nationwide. We know that two groups of families are taking advantage of a widening array of public and private school options. One group is largely comprised of affluent families who send their children to private schools; about 10 percent of all students nationwide are enrolled in private schools, a proportion that has changed little over the past half-century. A similar share of California students attend a private school. It is the parents of these children—including affluent and working-class families—that would immediately benefit from the $2.6 to $3.3 billion payout for vouchers required by Prop. 38.

The second group consists of public school parents from across the economic spectrum who move their youngsters into magnet schools, charter schools, or participate in cross-town transfer programs. Another 15 percent of the nation's students, in the fall of 1999, were no longer enrolled at their neighborhood school, instead attending a public school of choice. In total, one quarter of America’s students no longer attend their neighborhood school.

Learning from other states. Existing school-choice programs, both in California and in other states, offer two different scenarios when it comes to forecasting the kinds of families that would eagerly, and with the most resources, be able to participate in a statewide voucher program.

The first story pertains to states that have enacted largely unregulated choice programs, allowing parents to leave their home school district and enroll their child anywhere in the state. The student's funding allocation from the state capital follows the transferring student. In Massachusetts, for instance, about 7,000 families now pull their child out of their home school district and move the youngster to another district. The vast majority of participating parents is white, most of whom leave racially integrated schools and head for better-off, more racially homogenous schools. The state support that went to the child’s old school, often located in a poorer district, now moves with the youngster to a school located in a more affluent district. Some have termed this effect, “Robin Hood in reverse.”
A different scenario has emerged from Minnesota’s open enrollment program which, unlike the Massachusetts program, covers transportation costs for low-income families who move their child to a new school. This provision, along with the requirement that each school’s ethnic diversity be taken into consideration before transfer students are accepted, has helped the program to attract 9 percent of all black and Latino students in the state. These kinds of provisions, aimed at marrying choice with equity, are not contained in California’s Prop. 38.

Better educated parents participate eagerly in voucher programs. In citywide experiments, when vouchers are made available to families regardless of income, better educated parents display a higher propensity to apply for and pursue new school options. San Antonio’s early, and largely unregulated voucher-like program, allowed all parents to apply and winners were not selected through a lottery, a key feature of other citywide experiments. Predictably, those parents whose children were selected to transfer to the new schools were more highly educated, more frequently members of two-parent families, and had children who were already performing better in school, compared to those who did not apply or win a voucher.

“Even when vouchers are targeted on lower-income families—and Prop. 38 is not—those who are better off are more likely to use them.”

This self-selection of more advantaged parents into choice programs has led many advocates to more carefully target vouchers on low-income families. These proponents argue that it’s a more equitable school-choice strategy, rather than simply providing tuition tax credits or vouchers to affluent families who can already afford private schools; and it responds to popular support for vouchers among many families in central cities. This targeting feature characterizes two publicly funded voucher experiments, those found in Cleveland and Milwaukee, as well as the privately funded programs now operating in Dayton, Los Angeles, New York, San Francisco, and Washington D.C.

Yet even when vouchers are targeted at lower-income families, those parents who attend information sessions, apply and actually use the voucher, switching their child to a private school, tend to have certain advantages. For instance, the team evaluating New York City’s voucher experiment found that student applicants came from somewhat better educated families and were less likely to have behavior problems and learning disabilities, compared to the average New York City student.

A similar pattern recently surfaced in the Washington D.C. voucher experiment where 47 percent of those parents who were offered a voucher decided not to use it, instead keeping their child in a public school. This group of “decliners” differed from those parents who did shift their child to a private school. While all parents were low-income, those who declined the voucher were even poorer, a bit less well educated, were more likely to be looking for a job, and more likely to be on welfare, compared to those parents who did use their voucher. Again, we see that even when vouchers are targeted on lower-income families—and Prop. 38 is not—those who are better off are more likely to use them.

This holds implications for how we make sense of research findings that suggest significant effects from vouchers and attendance at a private school. For instance, note that the experimental group in the D.C. program is now rid of many of the most disadvantaged families who won, then declined, a school voucher. In turn, average student test scores for the experimental group may artificially float upward, relative to a constant control group, since the most disadvantaged families chose not to transfer to a private school and therefore are no longer in the experiment.

How does this evidence inform one’s assessment of Prop. 38? In summary, parents who already send their children to private schools would benefit under Prop. 38: they would receive a $4,000 voucher for tuition that they already pay. In this sense, Prop. 38 would aid more affluent families—those who have a greater propensity to utilize private education.
It’s likely that many lower-income families would also apply for a voucher if Prop. 38 were approved, given polling data that reveals climbing parental support for choice programs in poor communities. But even among these families it’s the better educated parents, who express strong commitments to their kids’ schooling, that most often take advantage of unregulated voucher programs. It’s likely that the most disadvantaged children—those from low-income families with minimally educated parents—would be the ones left behind in mediocre public schools.

How will Prop. 38 affect school spending—and the taxpayers?

Substantial fiscal effects are certain if the voters approve Prop. 38. In the medium-term taxpayers would dramatically boost support of parents who already enroll their children in private schools. In the long-run Prop. 38 could have sizable implications for how California’s public and private schools are financed.

The size and magnitude of these fiscal effects, however, are difficult to pinpoint, since they depend on a number of forces that are tough to forecast: (1) The state legislature’s reaction to the new funding system contained in Prop. 38, (2) the number of private schools that choose to participate and willingly face a more diverse range of children, (3) the capacity of private and religiously affiliated schools to substantially expand their enrollments, and (4) the extent to which parents actually switch their child from a public to a private school.

Depending on how these factors play out, the initiative could either save taxpayers billions of dollars each year, or cost billions more in public support. Two provisions of Prop. 38 would drive these sharp fiscal effects. If the pegging of school funding to the national level of per-pupil spending kicks-in, this would force large increases in state appropriations, especially if this average keeps rising as state governments compete to move up in their ranking. In addition, the mechanism for funding parental vouchers may benefit or draw down even more dollars from the state treasury, beyond the automatic payout of at least $2.6 billion to families with children already enrolled in private schools.

The effect of pegging state school spending to the national average. California taxpayers currently spend about $6,313 for every pupil enrolled in the public schools. This level is almost $450 below the national average. Prop. 38 would likely establish a new funding guarantee that would be pegged to the average per-pupil spending level, that is, averaged across all 50 states (according to a new method of calculation). The legislature could approve this shift by a majority vote, or it would kick-in whenever the state’s school funding level reaches the national average. Anticipated funding gains under Prop. 38 could benefit all public schools.
However, boosting funding to the national average under the new Prop. 38 provisions also would eliminate the current funding guarantee provided by Prop. 98, approved by the voters in 1988.

If Prop. 38 is approved, the national average system would not protect support for child-care and preschool programs, and some special education programs. These parts of the state budget would no longer be sheltered under the Prop. 98 funding guarantee. One concern expressed by opponents of Prop. 38 is that as the national K-12 average floats upward, support for these excluded programs might be cut by the legislature to fund the new national per-pupil average for the narrowly defined K-12 education program.

Provisions of Prop. 38 do not specify how the state would finance an increase in per-pupil revenues. In order to finance higher appropriations, California taxpayers could be asked to support a tax increase or cuts in state services, including police, health care, and aid to public universities, especially during recessionary periods.

Financing vouchers statewide. The second key piece of Prop. 38—termed the Parental Right to Choose a Quality Education provision—also holds significant fiscal implications. This is the component that requires the state to fund, for every school-age child, a “scholarship” or voucher worth at least $4,000. The vouchers could be used to pay tuition and other educational fees at any participating private school.

Each year the voucher amount, allocated to parents, would be recalculated and funded to the greater of (1) $4,000 per pupil, (2) one half the average nationwide per-pupil spending level, as calculated under the new formula, or (3) one half of California’s average funding per pupil, factoring in all federal, state, and local revenue sources. The second option is problematic in that it would include aggregate debt-service costs for local construction bonds, the total value of which is not known. The third option is unpredictable, since federal and local revenue levels can not be controlled by Sacramento policy makers.

If favorable economic conditions persist in California and the legislature and governor continue to boost state school spending, the original $4,000 voucher would likely increase in dollar value. Recent estimates from the Legislative Analyst’s (LAO) in Sacramento indicate that total per-pupil funding, including federal, state, and local resources, to be nearly $8,200 for the year 2000-01.

What would vouchers cost the taxpayers? Estimating future costs or savings depends on the number of families who would take-up a voucher, and whether private schools chose to expand and accept many more children than they presently serve. We can make some cost estimates based upon reasonable assumptions.

California’s public education enrollments equaled 6 million students in the most recent school year (1999-2000). Private school enrollment was nearly 650,000 students, just over 10 percent of the student

## TABLE 1: Estimated cost of voucher program for pupils already enrolled in private schools

<table>
<thead>
<tr>
<th>School year</th>
<th>Private school pupils eligible for voucher (by grade)</th>
<th>No. of current private school pupils*</th>
<th>Estimated cost of voucher program</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>K</td>
<td>71,058</td>
<td>$284 million</td>
</tr>
<tr>
<td>2002-03</td>
<td>K - 2</td>
<td>190,032</td>
<td>$760 million</td>
</tr>
<tr>
<td>2003-04</td>
<td>K - 8</td>
<td>497,154</td>
<td>$2.0 billion</td>
</tr>
<tr>
<td>2004-05</td>
<td>K - 12</td>
<td>640,802</td>
<td>$2.6 billion</td>
</tr>
</tbody>
</table>

population. Prop. 38 requires that four years out, by the 2004-2005 school year, all current and new private school students must receive a voucher. If we conservatively assume a constant voucher amount of $4,000 and a constant level of private school enrollment at 650,000 children, the additional cost—without expanding school choice to any additional families—would equal the low estimate of $2.6 billion not adjusting for inflation. (Table 1).

Note that the PACE estimate of $2.6 billion is conservative, relative to the LAO’s cost figure of $3.3 billion. We have chosen not to forecast inflation rates or the rising voucher cost, as state education spending likely rises over the next four years.

What parents would directly benefit from this voucher payout? This $2.6 to $3.3 billion allocation would disproportionately go to affluent families with children in private schools. Clearly some working-class parents enroll their children in low-cost parochial schools. But three times as many upper-income families sent their kids to private school as did lower-income families nationwide in 1999.

Could the state save money under Prop. 38? Savings to the state and taxpayers could be realized if, and only if, a large number of additional public school students transfer to private schools. The number of students who transfer to private schools will depend on the future capacity of these schools to expand and their willingness to serve more diverse students. If we take the LAO’s estimate that total per-pupil funding already equals about $8,000, using the Prop. 38 mandated estimation method, the state would save about $4,000, simply the difference between $8,000 and the voucher amount for every child who exits public schools for a private school. The state would no longer reimburse local schools for children who exit and move to private schools. Table 2 provides conservative estimates of net costs to the state under different rates of student transfer from public to private schools, and after full implementation of the voucher program.

The estimated net fiscal impact on the state budget. If 300,000 new private school spaces are created—a 50 percent increase over current enrollments in private schools—the state would still incur a net cost of $1.4 billion in the fourth year and each year thereafter.

To place in context the magnitude and cost of this degree of private school expansion, let’s consider the class-size reduction (CSR) program begun by Governor Pete Wilson in 1996. This is the single most expensive school reform program ever implemented in the state, costing on average $1.4 billion per year. CSR serves 1.9 million students annually. In contrast, it would cost as much each year to serve just half as many students under the voucher program envisioned in Prop. 38.

Current constraints on private school capacity. The California Catholic Conference recently surveyed private schools throughout the state and found that 32,000 vacant spaces currently exist. This estimate is consistent with a study conducted in 1993, preceding

### Table 2: Long term public cost under alternative pupil transfer rates*

<table>
<thead>
<tr>
<th>Percentage of public school pupils who transfer</th>
<th>No. of pupils</th>
<th>Savings from transfers</th>
<th>Cost for existing private school pupils</th>
<th>Net cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>60,000</td>
<td>$240 million</td>
<td>$2.6 billion</td>
<td>$2.4 billion</td>
</tr>
<tr>
<td>3%</td>
<td>180,000</td>
<td>$720 million</td>
<td>$2.6 billion</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>5%</td>
<td>300,000</td>
<td>$1.2 billion</td>
<td>$2.6 billion</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td>10%</td>
<td>600,000</td>
<td>$2.4 billion</td>
<td>$2.6 billion</td>
<td>$200 million</td>
</tr>
</tbody>
</table>

* Projections are based on year 2000 dollars. Adjustments for inflation have not been made. These estimates are below LAO forecasts which do adjust for inflation and rising school spending.
Prop. 174, that estimated a vacancy level of 38,000 enrollment spaces in private schools statewide. The existing surplus capacity of private schools would limit, at least for several years, how many parents could actually obtain a voucher and shift their child from a public to a private school. Given the small number of vacant seats in private schools, less than one-half of one percent of all children could presently find an open spot in a private school.

The long-term ability of private schools to enlarge their enrollment capacity would depend on the incentive value of $4,000 per pupil, and whether anticipated voucher levels in out years would be sufficient to support acquisition of new property in urban areas, fund new construction, and recruit new teachers. Private school teachers presently earn one-third less than public school teachers. And this gap is growing as the state raises starting salaries and creates merit payments for schools and teachers that boost student achievement. To the extent that the voucher’s incentive value does not stimulate the creation of new schools, taxpayers would incur a cost that would exceed the $2.6 to $3.3 billion yearly bill.

Have voucher experiments raised achievement after children enter private and parochial schools?

The short answer is, yes. Small-scale voucher programs in Dayton, Milwaukee, New York City, and Washington D.C. have significantly boosted the math achievement of black children in recent years. These learning gains—realized as kids from low-income families move to private and parochial schools—are similar in magnitude to the positive results observed as state-led reform programs have begun to work, including the rising Stanford-9 test scores of California’s elementary-school children. Why vouchers and exposure to private schools are not raising the math achievement of Latino and white students from low-income families, and why reading performance is more difficult to budge, remain unanswered questions.

In addition, strident debate persists over whether the positive effects felt by African American children, within these city-level experiments into which parents self-select, can be generalized to a large statewide program, like that envisioned under Prop. 38, where thousands of diverse children, replete with learning disabilities and behavior problems, would presumably apply to private schools. It also appears that gains displayed by black children are most distinct during their first year in a private school; then the achievement advantage, relative to their peers in public schools, levels off.

*Citywide voucher experiments, publicly and privately funded.* While no state has attempted to implement a wide-scale voucher program, a handful of cities around the nation have created modest voucher experiments targeted at low-income children. Milwaukee runs the oldest program, begun a decade ago, but a number of
factors, including the lack of a true control group, have made it difficult to judge in terms of achievement change among participating children.

New findings have recently emerged from better structured experiments in which the families that apply are randomly selected, through a lottery, to receive a voucher. Many of these parents then switch their child from a public to a private school. Research teams then follow both the voucher recipients and a control group of children who remain enrolled at their neighborhood public school.

This experimental design—used in other scientific arenas, from assessing Head Start programs to evaluating the effectiveness of new drugs—has been rigorously applied to these young voucher experiments by a Harvard-led research team. Importantly, the method avoids the so-called selection bias that occurs in non-random evaluation designs. When vouchers are not awarded randomly through a lottery, it’s difficult to disentangle the causes that underlay achievement differences between children who enter private school versus those who did not win a voucher and remain in the public schools. Without a selection lottery (or random assignment to an experimental or control group) any achievement gain observed among voucher winners can be falsely attributed to the private school, when the achievement advantage actually stems from home practices or characteristics of parents who eagerly pursue the voucher option.

Experimental designs do not solve the problem that the self-selected parents who apply for voucher usually differ from parents who don’t apply. In some cases, the experimental group can become biased, as parents who win vouchers choose to not use them and keep their kids in public schools. This is precisely what happened in the Washington D.C. program where fully 47 percent of the parents awarded a voucher declined to collect it. This makes it difficult to generalize findings from a small citywide program to the achievement effects that may result from a large-scale statewide program.

Dayton, Ohio. First-year findings from Dayton’s voucher program revealed a mixed picture as to whether voucher students, moving from public to private schools (the experimental group), outperformed their peers who remained in the public schools (the control group).

In 1998, a private organization offered vouchers, capped at $1,200 in the first year, to 515 students from kindergarten to grade 12, who were enrolled in the public schools, as well as 250 students who were already enrolled in private schools. The program was targeted at low-income families; the median participating parent earned between $11,000 and $25,000 annually. This experiment is similar to privately-funded programs being undertaken in Los Angeles and San Francisco.

About half of all parents whose child was randomly allocated a voucher declined to use it, instead keeping their child in a public school. Those who did not use their voucher differed systematically from those who did. While all eligible applicants were parents with low incomes, those who won a voucher and switched their child to a private school were a bit poorer economically, but the mothers were better educated and more likely to be white, compared to the lottery winners who chose not to use their voucher.

"Black children who won a voucher and did switch to a private school...scored 7 points higher in math and 5 points higher in reading."

Ten percent or less of the parents who applied for the program had children with a learning disability. Just one percent had a child with limited English proficiency. Two-thirds of those children who did use their voucher and shift to a private school were African American; almost all the remaining third were non-Latino whites.

Researchers based at Harvard and the University of Wisconsin, including professors Paul Peterson and William Howell, tracked voucher winners and applicants who did not receive a voucher over the subsequent two years. Sticking to first-year results, positive achievement effects were observed for those black children who won a voucher and did switch to a private school. These youngsters scored 7 percentile points higher in math on a standardized test, compared
to the control group, and about 5 percentile points higher in reading. The latter difference was not statistically significant (Figure 1).

The observed math gains must be interpreted carefully, since the researchers did not control for any family-background characteristics. This statistical procedure is important, since the experimental group may have been biased as some of the most disadvantaged voucher winners did not switch to a private school, and therefore were excluded from the experimental group (possibly boosting mean achievement level artificially).

The remaining one-third of the voucher students who were not African American displayed no significant change in their achievement levels in the first year.

Washington D.C. A second privately financed voucher experiment began in the District of Columbia in 1997, aimed at elementary and middle-school students from low-income families. In the first year of operation the Harvard team followed 1,052 students, split evenly between voucher winners attending private schools and a control group of applicants who did not obtain a voucher in the lottery and remained in the public schools. The evaluation was weakened by the fact that over one-third of the students did not participate in the second-year testing to gauge their growth.16

Among the two-thirds of all voucher participants who were tested, the voucher winners who attended private elementary schools did outperform their control-group peers by 6 percentile points in math and 3 points in reading. The latter difference was not statistically significant (Figure 1).

FIGURE 1 Achievement Change? Vouchers vs. State-led Accountability Initiatives
Expressed as one-year percentile difference on standardized test scores

*Ohio findings are from the Dayton voucher experiment. Reading score changes for voucher students, for neither black nor white students, are statistically significant. In the District of Columbia, the test-score change for reading among elementary students is not significant. The decline in reading scores for middle-school students is statistically significant. In math, the gain for the younger group is significant, but not for the older students.

+California, North Carolina, and Texas gains are linked to state-led accountability reforms. California data are average annual gains, between 1999 and 2000, in SAT-9 results, pooling grades 2 through 6. Statewide gains for North Carolina and Texas are average annual gains in math, 1990-96, pooling grades 4 and 8. These data are from the RAND Corporation’s recent analysis of NAEP scores.
reading. The latter difference, like in Dayton, was not statistically significant. Scores actually fell for middle-school students who participated in the voucher program, by 2 points in math and 8 points in reading compared to the control group.

As with the Dayton analysis, the researchers failed to control for prior family characteristics. This step is important in that fully 47 percent of parents who won vouchers in the lottery chose not to participate, instead keeping their child in a public school. As mentioned above, the D.C. parents who declined to use their voucher were even poorer economically, less well educated, and more likely to be looking for work, relative to the voucher winners who did switch their child to a private school. This may artificially bump-up average student achievement among children who remain in the experimental group, even before they enter a private school, relative to the control group which does not experience this “contamination” of the student sample.

**New York City.** A similar evaluation, led by Professor Peterson and Mathematica Policy Research, is being conducted of the privately financed New York City voucher program, involving 2,000 elementary school students also chosen through a lottery process. The first year results showed that reading and math scores were up 2 to 7 percentile points for voucher winners, most of whom enrolled in religiously affiliated schools, compared to the control group.

The researchers also examined how public and private schools differed, revealing that the parochial schools attended by the voucher recipients had smaller classes, enrolled fewer students in total, and were staffed by a more stable set of teachers. Like the Dayton and D.C. programs, the New York program is targeted at low-income parents. Yet those who applied for vouchers were better educated, more often Anglo, and more frequently members of two-parent households, compared with New York City families overall.

This raises the question of whether the achievement effects observed—relative to kids who remain behind in public schools—can be generalized to a statewide voucher program, like the one proposed under Prop. 38. Thus far the voucher experiments are small. Parents self-select into the pool of applicants. And students entering the applicant pool are not representative of all public school children in these cities. Parents who apply may be less likely to have children with learning disabilities or behavioral problems; they also may do more to ensure that their children do well in school than the average urban family.

**Are these one-year achievement gains for African American children big or small?** Prop. 38 prompts this important question. California’s public schools are currently responding to a range of reforms advanced by the governor and the legislature, including substantial reductions in class size, a new high school exit examination, clearer curricular standards, an evolving statewide testing program, merit bonuses for schools that are successfully raising achievement, and district-led efforts to reduce the social promotion of students.

Recent evidence shows that similar state-led reform strategies—aimed at stronger accountability and targeted infusions of new resources for local schools—are yielding significant results in terms of rising achievement. How do these results compare to the magnitude of achievement gains for black children seen in the first year of citywide voucher experiments? Figure 1 illustrates this comparison, displaying the first-year achievement advantages felt by voucher students in Dayton and D.C. (expressed as percentile point differences relative to the control groups), against one-year gains observed statewide in recent years for students in California, North Carolina, and Texas.

We see that the effects stemming from these citywide voucher experiments are comparable to the average one-year gains observed in these three states, all with at least fairly strong state-led reforms. The Year 1 voucher findings are stronger for blacks, but also less consistent, relative to the statewide effects observed in the three states. Gains in both sets of
cases are more distinct for math achievement, relative to the stickier mean scores in reading.

*Do children in voucher programs continue to outperform their peers in public schools over time?* The short answer: Yes... but voucher students essentially hold on to the achievement advantage that was attained in the first year. That is, the learning curves of black students attending private schools remain higher in Year 2, yet they are flattening-out, relative to their peers in the public schools. It is common for school reforms to pack a significant and encouraging punch initially, then achievement levels tend to level-off or even regress back to their earlier level.

The Harvard-based team released important Year 2 findings in August 2000, for those children who continued in their private schools. The findings remain encouraging for African American children in Dayton, New York City, and D.C. However, no significant achievement advantages were detected in Year 2 for Latino or white children. And for blacks, after the initial Year 1 bump-up, further gains in Year 2, again relative to their respective control group, were quite modest in general.

The researchers combined the student samples across the cities to estimate mean achievement differences between voucher recipients and control groups. The meaning of these aggregate “averages” is not clear, since city-specific effects varied widely and response rates among children who participated in Year 2 testing were uneven, ranging from 66 percent in New York City to just 48 percent in D.C. In any event, the average Year 2 benefit for the experimental (voucher) group was estimated at 6.2 percentile points in math for African American children and 6.3 percentile points in reading.

How much of this gain for children switching to private schools was felt in the first year, relative to the second year? Let’s first take the findings from Dayton.
In Year 1 the Harvard team’s latest report shows that blacks who moved to private schools performed 0.4 percentile points higher in math and 6.1 points higher in reading, compared to the control group. In Year 2 the advantage felt by the voucher students grew to a 5.3 percentile point difference in math, a 4.9 point gain from the Year 1 advantage, relative to the control group. In reading the achievement advantage for black voucher students inched upward to 7.6 points, a slight gain of just 1.5 percentile points from Year 1. This suggests that the math learning curves of black children who remained enrolled in a private school were still accelerating in Year 2, relative to the control group. But the advantage in reading had flattened-out considerably by Year 2. These changes in the percentile ranking of the voucher students relative to the control group (+4.9 in math and +1.5 in reading) are illustrated by the first pair of vertical bars in Figure 2.

The only major gain between Year 1 and Year 2 is for reading performance among black elementary students in D.C. In Year 1 these youngsters who did switch from a private school with voucher in hand scored 5.1 percentile points below the control group. In Year 2, however, they bounced back, scoring 8.6 points above the control group. We don’t know how much of this change is due to the declining share of students who appeared for the standardized test between years 1 and 2, the unintended loss of more disadvantaged families from the experimental group, or special remediation given to these youngsters over the two-year period (which could be attributed to the private schools).

In general, Figure 2 shows that the achievement advantages observed in Year 1 tended to flatten-out in Year 2. This analysis is not intended to minimize the importance of the initial Year 1 gains for those African American children who switched to private schools. It does suggest that these gains may not accumulate over time. The good news is that the advantage is sustained for black children. The bad news is that it does not appear to be growing the longer these youngsters remain in private schools.

"Achievement advantages observed in Year 1 of the voucher experiments tend to flatten-out in Year 2."

The Milwaukee program remains carefully targeted to benefit low-income families. Eligible parents can earn no more than 1.75 times the federal poverty level. About three-fourths of all participating parents are African American; 18 percent are Latino.

The problem with the Milwaukee program is that it was never designed as an experiment like the privately funded programs reviewed above. Princeton economist
Cecilia Rouse was able to compare learning gains among Milwaukee’s voucher students against those who applied but were not admitted under the lottery. She reported small but significant gains for the voucher students when put up against this comparison group who remained in the public schools. The magnitude of the difference was very modest, 1.5 to 2.3 percentile points in math on a standardized test, with no detectable effect for reading performance.

How sold are parents and voters on vouchers?

Americans have come to believe, within the last decade, that parents have the right to choose their child’s school. The old system of assigning children to the nearest elementary or high school has lost some credibility. In 1999, one-fourth of all school children no longer attended their neighborhood school as detailed above. So, there is little question that many parents are willing to exercise choice. The sticking point is whether parents and voters believe that their tax dollars should be given to families to pay tuition at private and religiously affiliated schools.

Most parents feel good about their neighborhood schools. Another pivotal question is whether many parents would actually apply for a voucher, if a statewide program were put in place, and leave their neighborhood school. Supporting the concept of vouchers when a pollster calls is quite different that deciding to exit the school down the block. This takes us back to the issue of whether a $4,000 voucher—covering less than two-thirds the actual cost of instruction in the public system—would be a sufficient incentive to exit one’s neighborhood school.

We do know that parents feel a lot better about their local schools than the public education system in general. This past summer (2000), the annual Gallup/Phi Delta Kappa poll found that 70 percent of all parents with children in the public schools gave their local school a grade of A or B. In contrast, this same poll found in 1998 that just 18 percent of those interviewed gave an A or B to the public schools in general.

Similarly in California, as the school reform issue rose to the top of the political agenda during the 1998 gubernatorial campaign, 61 percent of all respondents said that the school system needed a “major overhaul.” Yet the majority of parents felt reasonably good about their child’s own school. Voters’ deepening concern over the state of public education, writ large, has sparked strong support for political leaders who promise aggressive efforts to reform the schools—whether the strategy vests more power within state capitals or swerves to market-oriented models of decentralized reform.

When it comes to vouchers, in 1993 just 24 percent of Americans surveyed supported the idea of allowing parents to enroll their child in a public or private school of their choice at public expense; 74 percent opposed the notion. Yet by 1998 almost 44 percent supported this choice policy and 50 percent expressed opposition. A National Public Radio poll in 1999 put opposition to vouchers three points higher.

Perhaps most remarkable is the finding that 59 percent of all black respondents and 52 percent of Latinos support the voucher idea, as many eagerly seek options outside their neighborhood schools. While in a potentially ominous finding for private educators, three-quarters of all respondents said that private schools that accept public dollars should be regulated by government and admit a more diverse set of students.

“Most remarkable is the finding that 59 percent of all black respondents and 52 percent of Latinos support the voucher idea.”

Support for state-led reforms rather than vouchers. The 1998 PACE-Field poll found that Californians expressed stronger sentiment for reforms led from Sacramento than for decentralized remedies. For instance, those interviewed supported clearer curricular guidelines and mandating an end to the social promotion of students, compared to quite divided feelings toward decentralized remedies, including vouchers and charter schools. Similarly, the summer 2000 Gallup poll, when weighing “improving the public education system” against using public funds for private school vouchers, three-fourths of all
respondents backed the former position, while just 22 percent preferred the voucher alternative. The August 2000 Field poll found that 49 percent of all those surveyed opposed Prop. 38, while 36 percent supported the initiative. The remaining portion of those interviewed, 15 percent, remained undecided. In a revealing finding, however, parents with school-age children were split evenly, half favored and half opposed Prop. 38.

In summary, how should voters weigh the promises and perils of Prop. 38?

School vouchers and wider access to private schools, without a doubt, offer fresh hope for many families. It’s not only the kids of affluent parents who attend private schools; some children of blue-collar and lower-income families eagerly seek seats at Catholic and other low-tuition private schools. Whether urban public schools can rebound to effectively serve these kids, within our lifetimes, and whether rates of child poverty can be reduced in our cities to advance early learning, remain open questions. In this context, the impatience of urban and suburban parents over the mediocre quality of their local schools, and growing support among Latino and black families for strong remedies like vouchers, should not be surprising.

On November 7th the state’s voters will speak on whether they believe Prop. 38 is a reasonable remedy for the ills facing the public schools. In summary, we urge voters and parents, as they reach their own decisions, to focus on the following questions:

- **Would Prop. 38 create a statewide voucher program that would equitably serve the children who most need higher quality schools?** The initiative would certainly provide a voucher worth at least $4,000 to many middle-class and lower-income parents who don’t earn enough to pay private school tuition. Yet Prop. 38 lacks the targeting provisions, focusing public dollars on disadvantaged families, which are contained in the citywide experiments presently underway.

- **Should $2.6 to $3.3 billion in additional tax dollars be allocated to parents who already are sending their children to private schools?** Much of this payout would be to affluent families, essentially tax relief for the well off. A portion, however, would go to middle-income and working-class families who now send their youngsters to low-cost Catholic and other private schools.

- **Are vouchers—encouraging children to leave public schools and enter private schools—the best policy strategy for improving public education?** Despite the methodological soft spots in the evaluations of voucher experiments, it does appear that children with parents who eagerly pursue vouchers and move their youngsters to private schools are learning at higher rates, compared to similar children who remain in uneven public schools.

The unanswered questions: Would these achievement gains be realized by a far wider cross-section of children under a statewide voucher plan? Is this a likely way to raise achievement for the vast majority of kids who would remain in urban and suburban public schools?

- **How willing are you to gamble with the state budget, betting that private schools can expand their capacity to serve hundreds of thousands of additional children?** If private and parochial schools could gain sufficient revenue from the $4,000 vouchers to acquire more urban space and build more classrooms— and hire thousands of additional teachers—then many more student slots would be created for voucher participants. But if the incentive value of the voucher is insufficient for a robust “supply response,” then taxpayers will face a total voucher bill that could well exceed $3 billion each year.
ENDNOTES


3. Recognizing this school finance problem, the Massachusetts legislature amended the open enrollment program to sustain half the per-pupil allocation to the original district, increasing the cost per pupil by 50 percent and reducing the disincentive felt by districts who lose students. These findings on open enrollment programs are detailed in Fuller et al. (1999).

4. Detailed in Fuller et al. (1999).


8. Which estimate to use as an index in calculating the national level of per-pupil spending is a controversial exercise in its own right. We use per-pupil spending estimates contained in: LAO (2000a).


10. Prop. 38 requires that a new method for calculating per-pupil spending be adopted. It would be on "total funding per pupil" rather than expenditure per pupil. Commonly cited figures comparing state to state education funding, reported by the National Center for Education Statistics and the National Education Association, have traditionally used expenditures rather than total funding to build the 50-state index for per-pupil spending. "Total funding" as defined by Prop. 38 would include all funding, not just expenditures, to calculate the national per-pupil average which California would then have to chase in order to meet the new constitutional requirement.


12. The actual savings realized by the state could be at least 15 percent less, given that the total per-pupil funding estimate includes federal (9 percent of revenues) and local sources (6 percent) which do not originate from the state general fund.


17. Peterson et al. (1997).


20. C. Rouse (1998) Private school vouchers and student achievement: An evaluation of the Milwaukee parental choice program. Quarterly Journal of Economics, 113: 553-603. The original evaluation design, crafted by the state education department and on which the Princeton analysis is based, failed to gather information about families or home practices that might explain why learning curves could be higher for children whose parents pushed to participate in the voucher program.


